



**Director of
Central
Intelligence**

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National Intelligence Daily

***Wednesday
23 September 1981***

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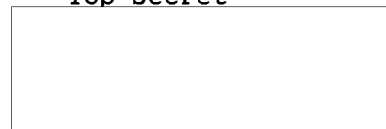
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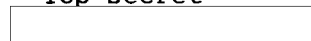
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USSR-POLAND: Possible Soviet Economic Pressure

Moscow may be attempting for the first time to link the level of future aid to Poland to Warsaw's willingness to act against Solidarity. []

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In a speech yesterday, Polish Politburo member Olszowski alluded to possible Soviet economic pressure, remarking that continued anti-Sovietism might prompt Moscow to reduce its aid by insisting that Soviet-Polish trade be balanced. Soviet Deputy Premier Baybakov yesterday met with Premier Jaruzelski in Warsaw to initiate talks on bilateral trade for 1982, and the Polish news agency indicated Poland had asked the Soviets to permit an \$800 million trade deficit. []

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Polish officials last week hinted that unpublished portions of the Soviet letter of 10 September threatened economic reprisals if "anti-Soviet" activity were not suppressed. []

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Regardless of the message Moscow is attempting to convey, Warsaw may invoke the danger of economic reprisals in the effort to induce Solidarity to moderate its stance. Such a threat might carry particular weight with those activists in Solidarity who believe that additional destabilization would serve Soviet ends. []

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Government and Union Flexibility

Several signs of moderation emerged from both sides yesterday, despite continuing tension. Union leaders were told on Monday that the government will not bring its controversial self-management bill to a vote in the parliament until after the second session of Solidarity's congress. The union, in turn, offered a compromise that, while giving workers the right to hire managers, apparently would allow the government to challenge appointments in the courts. []

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Solidarity's leadership, according to several union sources, has decided to avoid any polemic with the regime until after the final session of its congress sets union

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policy. In line with this decision, the national leadership, which met in Gdansk yesterday, did not issue any rejoinders to the various Soviet and regime criticisms over the last week. Such a show of restraint appears to be an important victory for the moderates. [REDACTED]

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The union, however, is letting local chapters carry the brunt of the propaganda exchange. Solidarity's news service is carrying messages from union members in various factories responding heatedly to the Soviet message and the stream of letters from Soviet workers. [REDACTED]

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The government, meanwhile, is responding to Moscow's demand that it move against instigators of anti-Soviet acts. The police yesterday arrested two local Solidarity activists in different parts of the country and charged them with inciting the populace against Poland's alliance with the USSR. The actions probably will provoke an angry response from some union members, but the leadership's reaction may be restrained out of an awareness of the Soviet pressures on the regime. [REDACTED]

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Postexercise Military Activity

Photography yesterday of three Soviet divisions that participated in the Zapad-81 exercise showed them in their garrisons at Minsk, Grodno, and Ovruch. Large numbers of tanks and other armored vehicles were undergoing maintenance to restore them to preexercise preparedness levels. No evidence of callups of reservists was observed. Imagery of another Soviet division at Slonim and the Polish airborne division at Krakow showed no unusual activity. [REDACTED]

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EGYPT: Cabinet Changes

The limited cabinet reorganization announced in Cairo on Monday included the removal of Minister of State for Presidential Affairs Mansur Hasan, thought to be one of President Sadat's closest advisers. The reason for Hasan's ouster is not known, but he reportedly was a rival of Vice President Moubarek and may have had differences with Sadat over the recent crackdown on domestic dissidence. Hasan may be offered a post in the government party or parliament. The changes included the appointment of a third Coptic Christian to the cabinet, probably to mollify Egypt's Christian community following Sadat's cancellation of the government's recognition of the Coptic patriarch, Pope Shenuda.

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SPECIAL ANALYSIS

ISRAEL: Objectives in Negotiations on West Bank

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The Israelis will push hard in the Palestinian autonomy talks-- which resume at the ministerial level today in Cairo--to conclude an agreement that does not jeopardize Israel's claim to sovereignty over the West Bank and Gaza Strip. The Egyptians do not expect a major breakthrough. They are likely to press the Israelis to agree to further confidence-building measures among West Bank Arabs, and they probably will raise tough issues such as voting rights for East Jerusalem Arabs.

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Prime Minister Begin and his religious party coalition partners will not concede a meaningful role to the Palestinians in crucial autonomy issues--land and water resources, Jewish settlement activity, and security. Begin probably is prepared to make concessions on minor issues such as the size and administrative functions of a contemplated elected council. As an inducement to President Sadat, Begin might agree to enact an autonomy agreement first in Gaza.

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He also may be willing to accept an agreement in principle in order to avoid the inconclusive haggling over specific issues that have stymied the autonomy talks so far. He would appeal to Sadat's previously stated intention not to negotiate for the Palestinians over key issues but to leave open the possibility of future Palestinian participation.

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Egyptian officials, however, are concerned that such an agreement would be too vague. They want specific Israeli commitments to give the Palestinians substantial control, for example, over land and water rights and to curtail Israeli settlement activity.

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Policies on West Bank and Gaza

Begin and other conservatives who dominate his Likud bloc regard the West Bank as the heart of the "Biblical land of Israel." They consider permanent control over Gaza essential to assure the long-term security of Israel's southern border with Egypt. Begin has given

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West Bank and Gaza Strip: Israeli Settlements, 1 September 1981



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Defense Minister Sharon primary responsibility for strengthening Israel's control over the occupied territories. []

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During Begin's first four-year term, then - Agriculture Minister Sharon accelerated Jewish settlement activity, particularly on the West Bank. Fifty-six new settlements were established there, making a total of 87 with a population exceeding 14,000. Five new Gaza settlements also were added, bringing the total to nine with a population approaching 1,000. []

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Sharon clearly intends to press ahead with a vigorous settlements program, especially in and near Arab urban centers on the West Bank. He also wants to complete major road, water, and electricity projects to link the settlements to Israel proper. []

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The government also is likely to continue to extend Israeli law to the territories. Israeli courts already have been set up in two West Bank settlements to resolve cases between Arabs and Jews. Several Jewish regional councils--paralleling those in Israel--have been organized to supervise the affairs of groups of settlements. []

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The Israeli public is becoming more supportive of the settlements policy. In one recent poll, over one-half of the respondents endorsed unlimited settlement, and another 20 percent favored continued settlement under certain conditions. Likud leaders reportedly plan to try to broaden this public support by providing more affordable housing in settlements and by encouraging Israeli industry to locate there. []

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Countering the PLO

Israeli military government authorities have tightened their enforcement of regulations designed to counter PLO influence. West Bank and Gaza mayors and other officials have been prohibited from making public statements supporting the PLO, and their municipalities may no longer receive financial assistance from the joint PLO-Jordanian committee in Amman. The Israelis have also extended their controls over curricula, students, and teachers at West Bank universities. []

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At the same time, Sharon has launched a major effort to develop an alternative Palestinian leadership by boosting West Bank village associations. Under Israeli sponsorship, one association was established near Hebron in 1978 and others are being organized in the Bethlehem, Ram Allah, and Nablus areas. [redacted]

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Association leaders generally are employees of the military government and in a position to deny funding for projects not sponsored by the village associations. The Israelis probably also hope to use the associations as leverage to induce West Bank municipal leaders to adopt a more positive attitude toward Israeli positions in the autonomy talks. As a further inducement, Sharon reportedly also plans to appoint civilian governors for the West Bank and Gaza soon and to order some relocation of security troops away from Arab towns. [redacted]

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Strategy Toward Jordan

Sharon has long promoted the idea that Jordan rather than the West Bank should be the Palestinians' "natural" homeland. He has pointed repeatedly to the growing Palestinian majority in Jordan to support his contention that the Hashemite monarchy is an anachronism and should be replaced by a Palestinian government. He also has intimated through the Israeli press that he favors a major Israeli military ground operation against the Palestinians in Lebanon to force the PLO to move back to Jordan. [redacted]

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Although Begin has dissociated himself from Sharon's comments, he agrees with many of Sharon's views on major Palestinian-related issues. He seems privately to hope that Sharon's efforts will help discredit King Hussein, encourage the US to concentrate on facilitating a narrow Israeli-Egyptian autonomy agreement, and deflect US and international attention away from the West Bank. [redacted]

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